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TAGS: [EAID](#) [KFPC](#) [KN](#) [KNNP](#) [KUNR](#) [PINR](#) [PREL](#) [UNDP](#)
SUBJECT: DEMARCHE DELIVERED: UNDP ACTIVITIES IN NORTH
KOREA/MISLEADING ACTIONS BY UNDP DURING DEMARCHE.

REF: A. STATE 183533

Classified By: Acting Permanent Representative Alejandro D. Wolff
per reasons 1.4 (b) and (d)

¶1. (S) Summary. Ambassador Wallace met with Kemal Dervis, Administrator of UNDP, on Tuesday, December 19, to deliver a demarche regarding UNDP activities in North Korea (DPRK). Ambassador Wolff was scheduled to deliver the demarche with Ambassador Wallace, but was unable to attend due to a last minute meeting of the P-5 on Iran. Mr. Dervis was accompanied by his Deputy Chief of Staff, Douglas Keh and Mr. Bruce Jenks, Assistant Administrator and Director of UNDP's Bureau for Resources and Strategic Partnerships (BRSP). Per reftel, Ambassador Wallace delivered verbatim the demarche talking points regarding UNDP's lack of programme oversight, which has resulted in the counterfeiting of U.S. currency and unauthorized hard currency transfers of millions of dollars. Per reftel, Ambassador Wallace requested an immediate audit and investigation of UNDP activities in the DPRK as well as copies of previously conducted audits. Mr. Dervis stated his intention to respond to Mission requests for information by Thursday, December 21st. End Summary. Comment. USUN has reason to believe that during the demarche, Mr. Dervis' staff deliberately obstructed an opportunity for the UNDP Controller, Mr. Darshak Shah, to participate in the discussion with Mr. Dervis in order to avoid discussing issues previously discussed with the Controller and Treasurer, Ms. Julie-Anne Mejia. Mr. Dervis indicated during the discussion that Mr. Shah was in Dervis' suite and left his office to ask Mr. Shah to join the meeting. From first hand observation, it appears that Mr. Dervis deliberately misled USUN by asserting that Mr. Shah was no longer in the building. See paras. 5 and 6. End Comment.

¶2. (S) Dervis expressed his regret that Ambassador Wallace and UNDP had encountered difficulties in meeting. Mr. Dervis explained that he wanted Ambassador Wolff and Ambassador Wallace to meet with his deputy, Associate Administrator Ad Melkert, not because he was avoiding a meeting with U.S. officials, but because Melkert deals exclusively with the operational activities of UNDP, while Mr. Dervis heads the larger United Nations Development Group (UNDG) and focuses on the issues raised in that context. Ambassador Wallace stated that he insisted on meeting with Mr. Dervis because he was instructed to demarche Mr. Dervis personally, via the highest levels of the U.S. Government. Ambassador Wallace further underscored the importance of this matter to the U.S. Government by stating the he would read verbatim from the demarche given the fact that the demarche had been carefully crafted.

¶3. (S) In response to the demarche, Mr. Dervis noted that as head of UNDP he has less authority over the program and activities of UNDP than people thought and very little authority over other entities in the DPRK and other countries. He added that the best way to effect change in UNDP policies was through the Executive Board, stating that

if enough Member States expressed concern over UNDP activities in the DPRK, then UNDP would be forced to curtail its activities. Dervis also noted that the problem with any type of humanitarian aid, is that since money is fungible it can always be diverted to a military program regardless of precautions. Ambassador Wallace assured Mr. Dervis that the currency problem with UN agencies in the DPRK went well beyond money being fungible; it was a systematic diversion of very large amounts.

¶4. (S) Ambassador Wallace asked Mr. Dervis to explain why UNDP programme audits seemed to either be non-existent or unavailable to member states. Mr. Dervis stated that it is against UNDP policy to make internal audits available. Internal audits are "management tools of the organization" and are conducted on a variety of issues ranging from harassment to financial impropriety and that they may contain personal information which could be inappropriate to share with other entities. Ambassador Wallace questioned how member states were to be assured that UNDP was conducting oversight of their programmes if audits were not made available. Ambassador Wallace continued by noting that UNDP's current policy of not sharing internal audit information was absolutely untenable and non-sustainable, especially with respect to the DPRK, as interest in regard to this matter was very high and would only grow over time. Ambassador Wallace stated that the U.S. Government and USUN had taken extraordinary and meticulous steps in preparing the demarche, as the assertions related to the UNDP program are significant. Ambassador Wallace added that the U.S. Government is very focused on this issue and therefore needs UNDP to take action to address the matter. Ambassador Wallace requested that UNDP deliver copies of the most recent audits and evaluations of the UNDP programme in the DPRK as soon as possible.

¶5. (S) After learning that USUN had engaged in previous demarches of the Controller, Mr. Darshak Shah, Mr. Dervis requested his presence to answer additional questions about UNDP policy and practice. Mr. Dervis and the other participants claimed that they were not aware that USUN had met with Mr. Shah on four separate occasions since August to discuss this issue. USUN has dealt extensively with Mr. Shah, as he was the primary point of contact for Mission demarches concerning hard currency transactions in the DPRK, but he has proven unable and unwilling to provide comprehensive and consistent information on expenditures and audits of the UNDP programme in the DPRK.

¶6. (S) Mr. Dervis and his Deputy Chief of Staff, Douglas Keh, left the office to bring Mr. Shah into Administrator Dervis' Office to participate in the discussions. Notably, a USUN officer saw Mr. Shah, Mr. Keh and Mr. Dervis talking outside of the office door. When Mr. Dervis and Mr. Keh re-entered Mr. Dervis' office, Mr. Dervis informed Ambassador Wallace that while Mr. Shah had been present earlier, he had left the building to return to his own office down the street and was unavailable. Unbeknownst to them, participating USUN officers had met Mr. Shah on previous occasions and had introduced Ambassador Wallace to Mr. Shah before the meeting, when USUN officers and Mr. Shah happened to enter Mr. Dervis' office suite at the same time. In addition, USUN saw Mr. Shah in Dervis' suite upon leaving the meeting. When Ambassador Wallace exited Dervis' office, Mr. Shah darted into an adjacent office. Comment. USUN can only assume that Dervis deliberately sought to prevent Mr. Shah's participation in the meeting in order to avoid having him respond to outstanding questions and explain his obfuscation during previous meetings with USUN. End Comment.

¶7. (S) Because of the Controllers absence, USUN was unable to garner firm information on UNDP's expenditures and audit policies. Mr. Dervis did however, note that there was an increase in the allocation to UNDP's audit office (OAPR) of 25.8 percent in the last year and that UNDP is trying to give the office of OAPR as much resources as possible. As for the

availability of audit reports, Administrator Dervis' office
will provide what preliminary information they have by
December 21st.
WOLFF